Design Build Operate
Procurement and Delivery Methods in Finland

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What are DBO Procurement and Delivery Methods?

- The concept refers to procurement and delivery methods in which the service provider bears a longer and more extensive than usual responsibility for a building before and after completion.

- DBO methods include at least designing and construction of a building as well as maintenance and repairs for a period of time agreed upon between the client and the service provider.

- DBO methods may also include responsibility for financial arrangements and various services directed at the end users of the building.

When and Where Can DBO Methods Be Applied?

- DBO suits for both new construction and renovations
- DBO suits for both commercial/institutional facilities and housing area projects
- The client may be from the public or the private sector
- Various service packages, contract periods, and risk divisions can be designed according to the clients' needs
- Combining smaller projects into large entities for bidding procedures improves the preconditions of implementing the projects

Arguments for DBO Methods

- Within the municipality sector there is interest in developing and implementing DBO methods
  - Improving effectiveness, concentrating on core tasks, new alternatives for financing projects, availability of competent personnel
- Construction industry gets more business opportunities via extending its services
  - Design, construction, maintenance – the complete package
  - Integrating HVAC expertise, making the most of existing networks
- For the society DBO methods are a means of improving productivity
  - New procurement methods encourage to view old methods critically
  - The condition of properties and the productivity of the national economy improve as the amount of badly maintained real estates diminishes
  - DBO methods motivate the parties involved to aim at value for money and the transformability of buildings for different purposes
  - DBO methods boost innovations and R&D activities

Client's Objectives – Service Provider's Solutions

Coverage, functionality and service aims
Cost frame
Space program

Preliminary design

Building permit plans

Technical solutions

Procurement process

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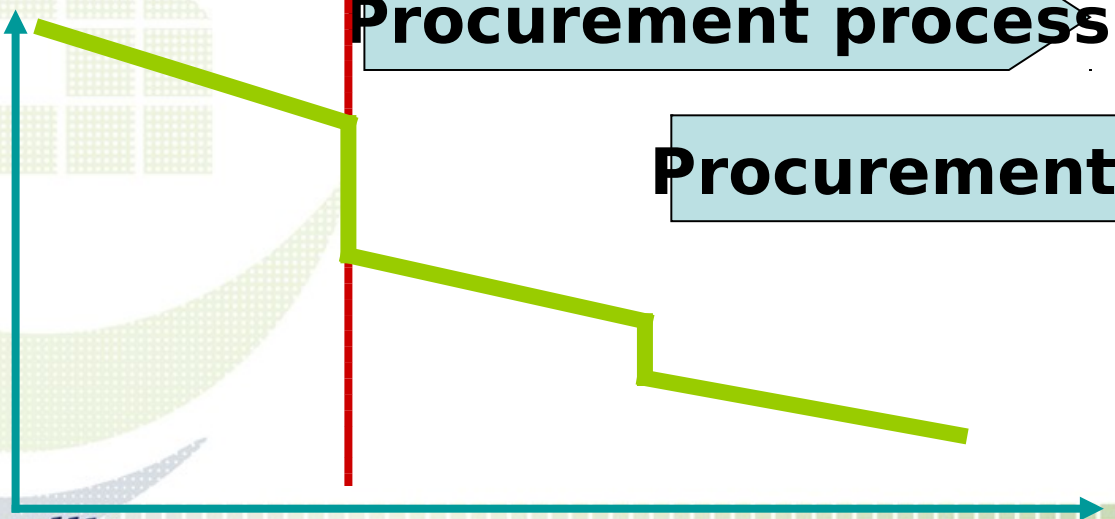
Procurement process

Service provider's possibilities of influencing the characteristics and the life-cycle economy of a project



Objectives of the DBO project

- Defining the main alternatives of DBO procurement and delivery methods
- Establishing principles of comparing traditional procurement methods with DBO methods and developing tools for estimating their economic consequences and decision making
- Creating guidelines for designing calls for bids for DBO procurement
- Outlining main features and procedures of DBO contracts
- Searching aspects of the current legislation that pose obstacles to DBO procurement
- Gathering and communicating information about DBO methods and their best practices both in Finland and abroad

Participants of the DBO Project

The development project is coordinated by the Confederation of Finnish Construction Industries RT with its partners:

- Ministry of Trade and Industry
- Ministry of Defense
- Ministry of Environment
- Cities of Espoo, Helsinki, Tampere and Vantaa
- The Association of Finnish Local and Regional Authorities
- The Finnish Association of Building Owners and Construction Clients

The participants also include numerous contractor companies and construction material producers.

Task Division of the DBO Development Project

Management

Coordination

- Steers the implementation of the project and the work of other groups

Main models and processes

- Explores various alternatives for the contents of DBO arrangements and procurement processes

Life cycle economy

- Defines guiding principles and creates tools for economical analysis of DBO methods

Legal issues

- Creates guidelines for carrying out DBO bidding processes and estimates development needs of the current legislation

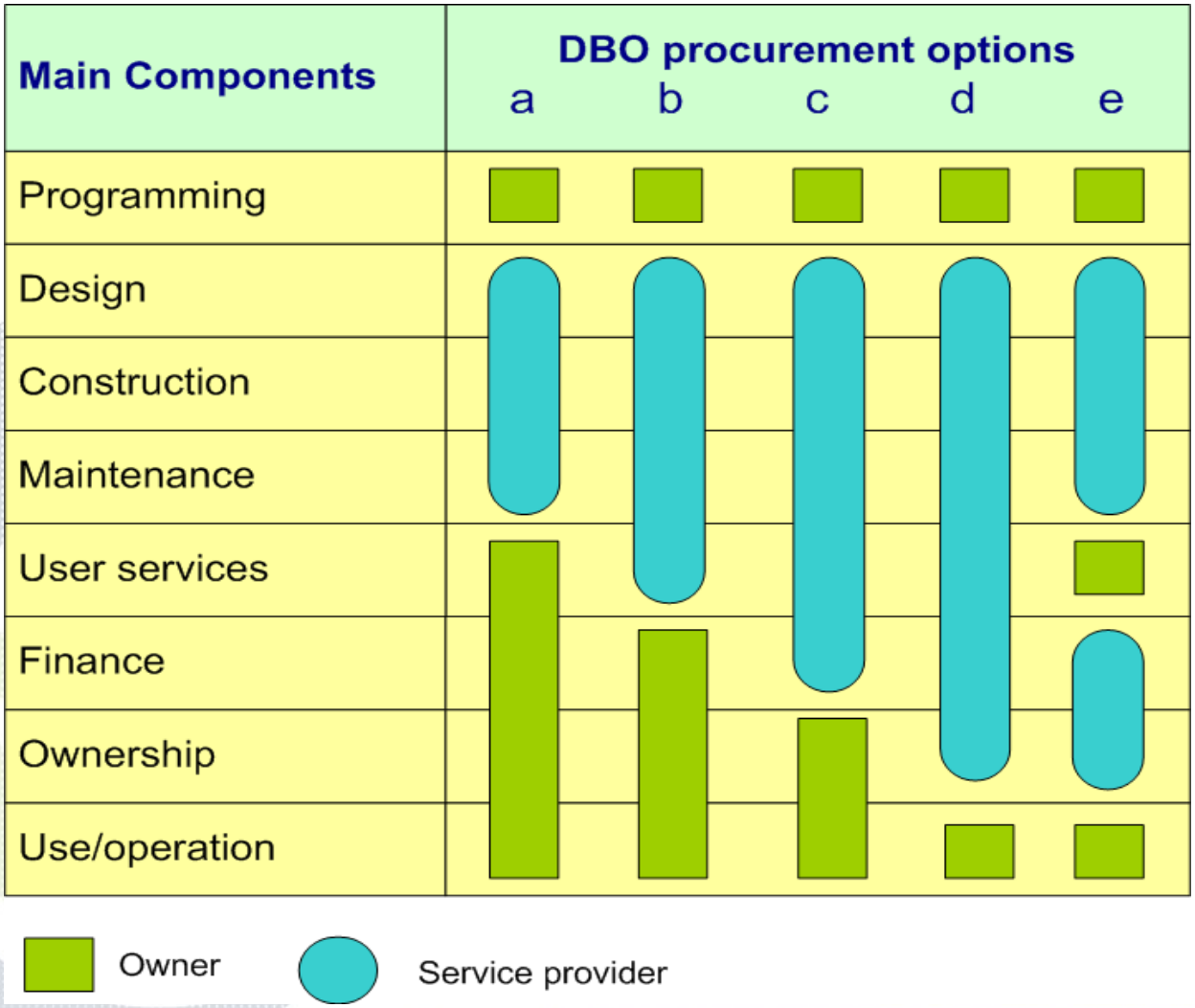
Model contracts

- Develops model contracts for clients and service providers

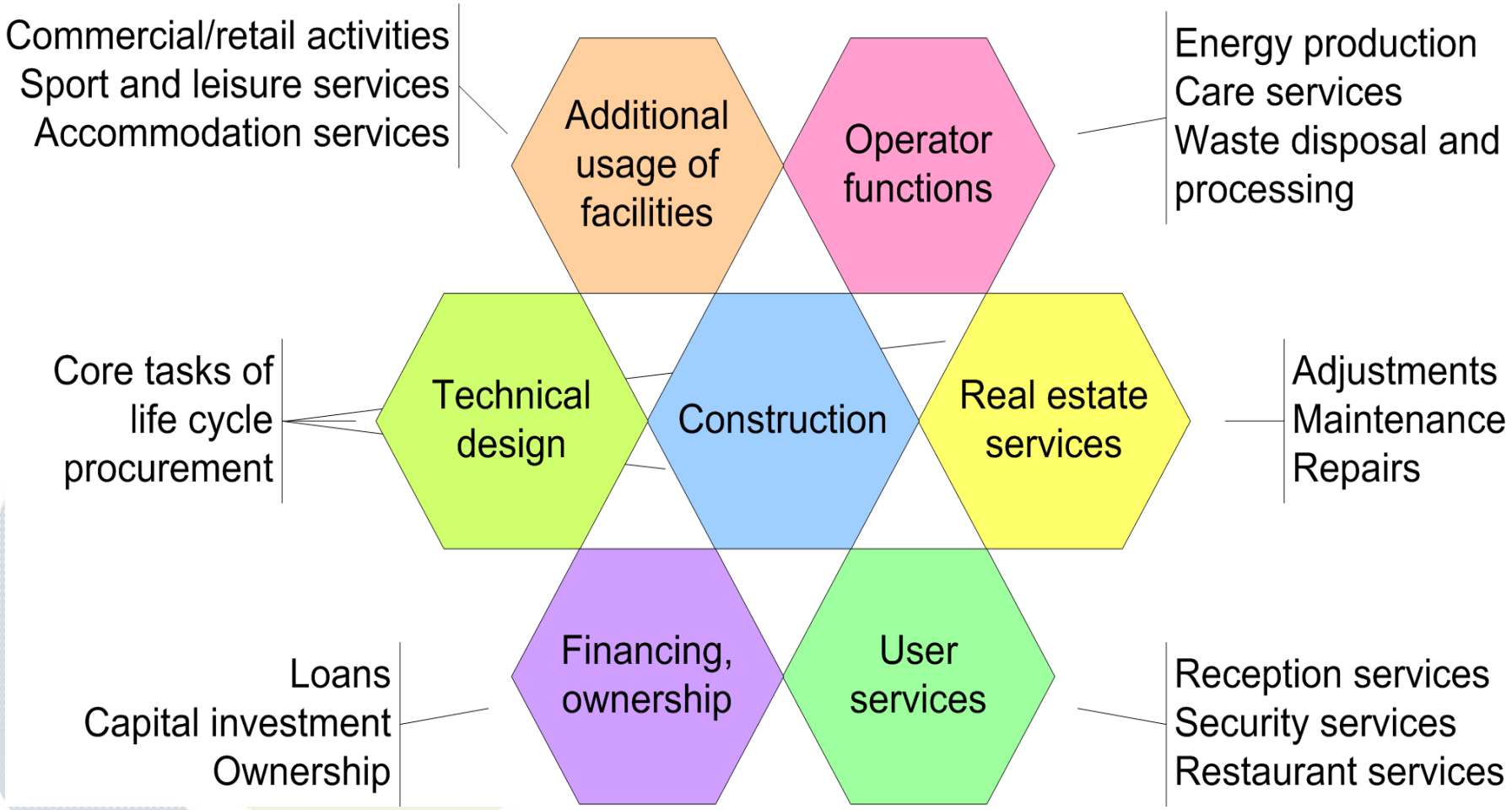
Communications

- Gathers and distributes information about DBO for stakeholders

Main Variants of DBO Methods



Components of DBO Methods



Main Parts of the Basic Model Contract

- Part I, Service contract
  - Definitions of the involved parties and their representatives, the purpose of the contract, the project, and the contract period
- Part II, Design and construction phase
  - Definitions of the rules and conditions regarding the designing and construction of the project
- Part III, Service period
  - Definitions of the duties, responsibilities and cooperation procedures of the parties during the contract period
- Part IV, Termination of the contract
  - Definitions of the preconditions regarding the termination of the contract and the duties that come into effect as a consequence
- Part V, General rules and regulations
  - Definitions of the rules and conditions of transferring the contract duties and responsibilities to third parties, of solving possible conflicts and disagreements and of the contract coming into force

Results of the DBO Development Project

- The project will be completed in June 2006, its outcomes being
  - Descriptions of contents of different DBO variants
  - Examples of solutions for descriptions of service quality levels
  - Examples of solutions for contracts
  - Guidelines for carrying out DBO bidding procedures and projects
  - Principles for economical comparison between different DBO methods and the traditional procurement methods
  - Recommendations for reforming current legislation, particularly regarding taxation
- Development and piloting should be speeded up in order to get experience of more actual cases of DBO
  - The suitability for different projects and the optimal extensiveness of DBO methods will be estimated through practical experiences
  - The growth of project volumes furthers learning, the methods will be refined, and there will be functioning markets for DBO procurement and delivery

Thank you for your attention!